



Record raw steel production, steel product shipments and earnings were attained in the second quarter and first half of 1974. Continuing inflation has eroded the purchasing value of the dollar and the record earnings shown must be discounted to some extent in recognition of this fact.

In June, 1974, a \$50 million public issue of 10 $\frac{3}{8}$ %, twenty year sinking fund debentures was sold. The proceeds were used to repay bank loans and promissory notes and to provide additional funds to assist in financing expansion.

Price increases were instituted on several steel products in the second quarter of this year to help offset additional costs. A Federal Commission is inquiring into price increases and profit margins in the Canadian steel industry and the Corporation is co-operating with the Commission. Algoma is satisfied that its pricing decisions have been sound under existing economic conditions.

Mining of low volatile coal commenced at the new Maple Meadow Mine in West Virginia, U.S.A. in June and production of iron ore pellets is expected to begin at the Tilden Mine late in 1974. Construction of No. 7 blast furnace is continuing with the start-up scheduled for the first quarter of 1975.

We have been advised that, as a result of a recent offer made to shareholders of Algoma by Canadian Pacific Investments Limited, it now holds about fifty-one per cent of the issued and outstanding shares of The Algoma Steel Corporation, Limited.

Domestic demand for steel products continues to exceed production capabilities of Canadian steelmakers and Algoma expects that its operations will be at close to capacity for the balance of 1974.

D. S. HOLBROOK
CHAIRMAN and PRESIDENT

Sault Ste. Marie, Ontario
July 29, 1974.

QUARTERLY REPORT TO SHAREHOLDERS

for the period ended
June 30, 1974

THE ALGOMA STEEL
CORPORATION, LIMITED

QUARTERLY REPORT

for the period ended June 30, 1974

To the Shareholders of The Algoma Steel Corporation, Limited:

A summary of consolidated results for the second quarter and first half of 1974 with comparative figures for the same periods in 1973 and a summary of the source and application of funds for the first six months of these years is given below:

	Three Months Ended June 30		Six Months Ended June 30	
	1974	1973	1974	1973
PRODUCTION AND EARNINGS				
(tons and dollars in thousands except per share data)				
Raw steel production net tons	724	670	1,409	1,295
Net sales	\$ 120,985	93,408	\$ 225,612	183,526
Depreciation and amortization	\$ 6,239	5,871	\$ 12,429	11,257
Interest and expense on debt	\$ 2,517	2,099	\$ 4,719	4,095
Earnings before income taxes	\$ 16,869	5,333	\$ 29,003	10,122
Income taxes	\$ <u>5,581</u>	771	\$ 8,337	1,189
Earnings before equity in earnings of associated company	\$ 11,288	4,562	\$ 20,666	8,933
Equity in earnings of associated company	\$ 2,784	1,223	\$ 5,060	2,042
Net earnings	\$ 14,072	5,785	\$ 25,726	10,975
Net earnings per share	\$ 1.20	0.50	\$ 2.20	0.95
SOURCE AND APPLICATION OF FUNDS				
FUNDS WERE PROVIDED BY				
Current operations			\$ 43,459	\$ 23,067
Net proceeds from sale of series E debentures			48,975	—
Proceeds from long term loans			3,600	4,300
Sale of capital stock			524	—
			<u>96,558</u>	<u>27,367</u>
FUNDS WERE APPLIED TO				
Additions to fixed assets			61,552	27,165
Long term investments			872	—
Retirement of long term debt			20,048	—
Dividends			5,818	2,898
Other - net			230	252
			<u>88,520</u>	<u>30,315</u>
WORKING CAPITAL				
Increase (decrease)			8,038	(2,948)
At beginning of year			63,107	54,191
At end of June			\$ <u>71,145</u>	\$ <u>51,243</u>

Figures are unaudited and include estimates subject to adjustment when results for the year are determined and audited.